Generic Substitution Guide

Branded Products with Highest Rate of Substitution

Product	Rate of Substitution
Flagyl	77 %
Benadryl	73
Vibramycin	69
Keflex	68
Bactrim DS	67
Elavil	67
Septra DS	66
V Cillin K	66
Librium	65
Soma	64

Therapeutic Categories with Highest Rates of Substitution

Theapeutic Cateogory	Rate of Substitution
Trichomonacides	70%
Trimethoprim	64
Pencillins	62
Narcotic Analgesics	49
Anti-Parkinsonism Drugs	46
Psychostimulant Tranquilizers	45
Antidiarrheals	43
Diuretics	41
Sedatives	39
Antinauseants	37

Source: Market Measures, National Substitution Audit Jan.-June, 1989

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DRUG STORE NEWS

Vol. 12/No. 4 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 19, 1990

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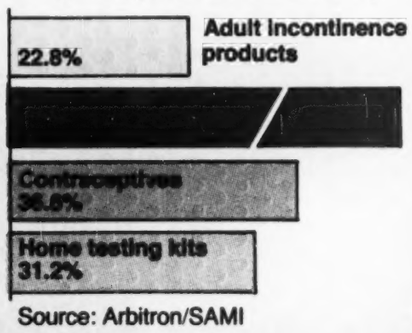
F WEEK
TURES

ug buyers
T-S sparkle

pressures mean upgraded, eye-catching products will be in the forefront at the Back-to-School Show. Page 33.

Hot categories in drug stores

(Growth rate annual percentage gains, year ended 12/01/89)



Source: Arbitron/SAMI

The results are in. . .

and Arbitron/SAMI's data shows what the hot product categories were in drug stores last year. Page 6.

LATE NEWS

• INDIANAPOLIS — Thomas Cunningham, a 30-year Hook's veteran, has been named president of the Hook Drug Division of HBI, replacing Newell Hall, who plans to retire in April.

• NEW YORK — Starting this April, 31 of S. E. Nichols' 34 full-line discount stores will be recast into a format, called Pharmhouse, emphasizing pharmacy, H&BA, cosmetics and hardgoods, with everyday deep discount pricing.

• WILSONVILLE, Ore. — Pay Less Drug Stores has created two new California districts. Jack Love will head a central/Northern district based in Rocklin, and Stu Stryker an Irvine-based Southern district.

• SCARBOROUGH, Maine — Wellby Drug and parent Hannaford Bros. launched the CHIP network, which links all drug store and supermarket pharmacy files.

Revco to refocus with selloff

By James Frederick

TWINSBURG, Ohio — The planned sale of 712 drug stores by Revco D.S. is likely to trigger a piecemeal buying spree by rival drug chains in 17 states, while leaving Revco free to focus on its strongest markets.

Revco announced that it was planning to concentrate its limited resources by selling off more than a third of its 1,873-store network. The sales would leave Revco with 1,161 stores generating nearly $2 billion in sales in 10 contiguous Eastern and Southern states, and leave intact its strong presence in the Carolinas, Georgia, Ohio, Virginia and other states.

Revco's proposed downsizing strategy draws a largely favorable response from analysts, investors and trade creditors. See page 85 for an analysis.

Revco will take a one-time, $230 million charge against third-quarter earnings to cover costs associated with the downsizing, according to a spokesperson.

The massive selloff will enable the chain to focus growth and build market share in its best and most cost-effective markets, said Revco chairman and chief executive Boake Sells. "We will be a much stronger competitor in our chosen markets, both operationally and financially," he noted. "Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned."

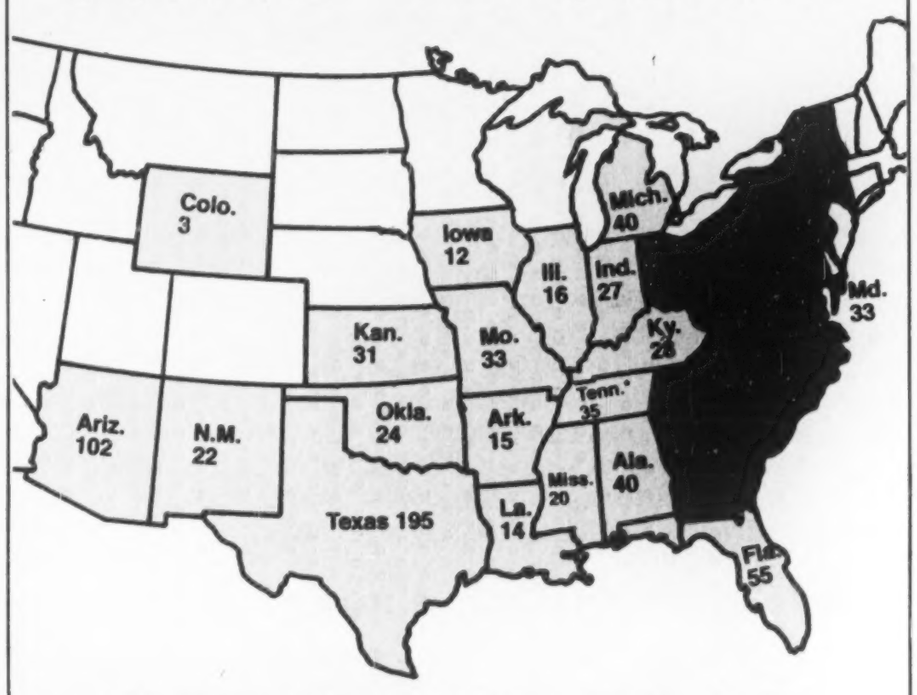
In addition, he said, the cash generated by the store sales should quicken the pace of Revco's financial reorganization as it works its way out of bankruptcy. However, Sells added, "Downsizing is the right strategy for

See **Revco,** *page 85*

Revco looks to trim down

Revco currently operates 1,873 stores in 27 states and has annual sales in excess of $2.7 billion. Map shows current numbers of stores in each state.

Ongoing operations: ■ **Locations targeted for divestiture:** □



Areas of ongoing operation include over 1,100 Revco drug stores. Locations targeted for eventual divestiture represent about 36 percent of total chain sales.

*In Tennessee, Revco will retain its 67 locations in metropolitan Chattanooga and points further east. It plans to divest those 35 stores west of metropolitan Chattanooga.

Source: Revco D.S., Inc.

Dot's new owners set an aggressive agenda

LENEXA, Kan. — Dot Discount Drugs' new owners plan to recast the 14-store deep discounter through efforts to boost convenience, image and selection in the stores and an aggressive, well-funded expansion program, Jerry Gaddis, new vp-merchandising and co-owner, told *Drug Store News*.

Gaddis is part of a four-person investment and management group which bought Dot from Wal-Mart Stores in a deal made final on Feb. 1. The team also includes new Dot president Ron Benjamin and chief financial officer Paul Miller, who largely financed the purchase with their own funds, as well as vp-operations Terry Files.

Benjamin and Miller are Kansas City investors and entrepreneurs who

See **Dot,** *page 85*

Sav-on, recapturing growth as a separate division of American Drug Stores, is competitive in maturing areas east of L.A.

American Drug Stores' execs working out of Eastern office

OAK BROOK, Ill. — Gradually and without fanfare, American Drug Stores has shifted all central decision-making and support functions to its Osco headquarters here, resolving in the process some confusion about whether the company was being run from Anaheim, Calif., or Oak Brook.

Over the past several months, all the company's top executives, including chairman, chief executive and president Dick Scott, and senior vp-pharmacy opera-

See **American,** *page 85*

McK eyes tighter credit; cites debt-heavy retailers

NEW YORK — Noting that "the ballgame has changed in the retail community," McKesson Corp. indicated it will more closely scrutinize its credit policies.

At a meeting with analysts here recently, Alan Seelenfreund, McKesson's chairman and ceo, said today's growing roster of highly leveraged retail accounts makes such a policy necessary for the nation's No. 1 drug wholesaler.

A credit policy review may lead the wholesaler to make provisions for or write off some bad debts, in the opinion of analysts in attendance.

Seelenfreund, when questioned about his remarks on a credit review, downplayed the issue, saying that because of LBO and restructuring activity among retailers, "we need to focus our

See **McK,** *page 85*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

K&B names Clark marketing vp

Clark

NEW ORLEANS — Lance Clark has been named vice president and director for marketing of K&B, Inc., the 153-store chain based here, it was announced.

Clark was previously general merchandise manager for Snyder Drug Stores, Minneapolis.

Roettger moves to Snyder

MINNETONKA, Minn. — Snyder Drug Stores has hired Don Roettger as director of merchandising, to replace Lance Clark, who went to K&B.

Roettger was previously vp/merchandise manager of Peoples Drug Stores, based in Alexandria, Va. He was with Peoples for 19 years, starting as a buyer in what was then its Lane Drug Store division.

At Snyder's, he will direct the buying department and help implement the chain's advertising and merchandising plans.

Imasco unit buys Roy's

MONTRÉAL — Hardee's, the 3,298-unit hamburger chain owned by Imasco Ltd., parent of Shoppers Drug Mart and Peoples, has agreed to acquire the Roy Rogers restaurant chain from Marriott Corp. for $365 million.

Although it may be too early to tell whether this represents any sort of resource reallocation for Imasco, executives at Hardee's, a wholly-owned subsidiary, say the move overnight gives them the economies of scale to strengthen and extend their dominance in the Southeast and Midwest markets to the Eastern seaboard areas where Roy Rogers operates.

New Moore DC bows near Chicago

NEW BRITAIN, Conn. — H.L. Moore Drug Exchange, a division of Moore Medical, has opened a new distribution center in Lemont, Ill. The 35,000 square-foot facility, just 20 miles southwest of Chicago, features a professional affairs department providing customers with formulary information, medical and bioavailability information, and AWP listings.

Thomas leaves SupeRx

PHOENIX — Tommy Thomas has left SupeRx Corp., where he was senior vp-marketing. His departure last month was for personal reasons, a source told *Drug Store News*. Thomas was one of the founders of the chain.

Thomas, a former Kroger company merchandiser, was most recently working in St. Louis overseeing the SupeRx-owned Medicare-Glaser stores, and reported to Jim Mastrian, who was recently hired as SupeRx's president.

The leave-taking followed a shift in duties related to SupeRx's acquisition of Medicare-Glaser, the source said.

Jerry Ray, SupeRx senior vp, was named as general manager for the Medicare-Glaser stores.

Marketing duties for the chain including the St. Louis division are handled by Bruce Schwallie, vp-marketing, who reports to Mastrian.

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Beauty Brands franchising fragrance, cosmetic shops

Don Fox, ex-Perry prez, in venture

By Elizabeth Parks

SOUTHFIELD, Mich. — Beauty Brands, a distributor of designer and domestic fragrances to independent drug stores, is planning to develop and franchise a chain of cosmetic and fragrance beauty shops.

President Don Fox, the former Perry Drug executive, said he hopes to open the first prototype store this summer in a mall location within metro Detroit. The prototype will be partly fashioned after a small six-unit chain of cosmetic stores that Beauty Brands acquired last year from a company called Special Cecille's.

The chain, currently made up of four mall kiosks and two 500-square-foot stores, has been renamed The Cosmetic Counter.

The original mix consisted of a limited assortment of private label color cosmetics, cosmetic accessories and an assortment of designer and domestic fragrances. Fox is modifying the mix, eying a broader assortment of color cosmetics, fragrances and accessories.

At the heart of the mix is a private cosmetics line, Special Feature. Fox plans to expand that line and add two more lines: one upscale and one for women of color. Fox isn't planning to carry any department store or mass color lines. He will focus instead on two or three private label cosmetic lines "with limited distribution, so we can offer something meaningful to our customers exclusively."

The final mix

Altogether, he thinks the final mix will be between 1,000 and 1,200 color SKUs, plus 1,000 SKUs of domestic and designer fragrances. The mix will also include a four-foot display of professional nail products, cosmetic brushes and bags. The moderately priced brushes will be pegged at under $3 retail; more upscale brushes will retail at $5 to $7. Hair jewelry, costume jewelry, and possibly fashion scarves and accessories will be part of the mix.

At press time, Fox was still putting together the manual and training programs for the franchised part of the business, which he expected to be up by mid-summer. He also anticipates signing leases and opening two company stores by next fall.

He estimated that initial franchises might cost about $100,000 to $125,000.

He anticipates first year sales per store at about $300,000, and $500,000 to $700,000 at maturity. Gross margins should range from 40 percent to 50 percent, depending on mix.

He thinks that franchisees would probably buy a lot of their product from the distribution side of Beauty Brands Business, although the contract will not stipulate where people have to buy anything.

Woolworth Express, new kid on the block

By Christine Bizzarro

NEW YORK — Woolworth Express, the fresh-faced miniature of the old-time five-and-dime store with a new emphasis on H&BAs, OTCs and cosmetics, expanded further in New York City this month by opening a second store in a non-mall, non-strip, neighborhood setting.

The chain's 35th store, at First Ave. and 15th St. in Manhattan, lacks the signature format of other Woolworth Express mall stores—gondolas slanting toward the center promotional aisle—but packs a hefty punch in 4,000 square feet.

"This store's space doesn't warrant that format, and this format is better accustomed to the traffic of this store," John Miller, director of stores for Woolworth and Woolworth Express, told *Drug Store News*. He said space in neighborhood stores varies, while Express stores in malls and strip-settings are usually 6,000 square feet.

In this store, a central traffic aisle is filled with seasonal Valentine merchandise, with cosmetics on the right and video on the left. Aisles run vertically from front to back, and merchandise is stacked to the ceiling.

Steve Tokay, director of marketing for Woolworth Express, said this store carries a strong selection of housewares, plastics and kitchen utensils, because that's what the customers here want. And the school supply selection will do well, Tokay said, because of a high school two blocks away, and Beth Israel Hospital, which teaches nursing.

Candies and snacks, greeting cards, and prerecorded videotapes are all displayed in a space-efficient manner with an emphasis on top sellers.

Inner city Woolworth Express relies on high-turn categories such as household chemicals, and high stacking, to build shelf productivity.

Manager Dennis Greenland said not only is the store's mix different from that of Woolworth, but managing an Express store is different as well.

"We have a POS system here, the ordering is done faster and we get more turnover," Greenland, a former Woolworth manager, said. The state-of-the-art computer system includes slot scanning and automatic inventory replenishment.

Tokay said there are plans to furnish all Woolworth stores by year-end with the POS system that Express has been using. The chain is continuing to open new stores in markets it has already penetrated, including strip centers in California, Minnesota and Illinois. And the company is targeting neighborhood sites on the East Coast, including stores in Maryland, New Jersey and New York.

Woolworth Express hopes to open 20 additional stores in 1990—among them a store on 23rd St. in Manhattan, and another in Jersey City, N.J., near a bustling mass transit transfer point.